



# **Asset Oversight Manual**

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### **Exhibits:**

- A. Site Visit Notification
- B. TSAHC Observation Report
- C. Corrective Action Letter
- D. Non Response Letter
- E. Incomplete or Insufficient Response Letter

**Texas State Affordable Housing Corporation  
Asset Oversight Procedures**

**Timeline**

**Calendar**

Refer to calendar of scheduled Asset Oversight site visits as set by the Asset Oversight and Compliance Manager.

**Notice**

Give written notice to the property manager and the owner of a property 30 days before a scheduled Asset Oversight site visit requesting the required reports for delivery to TSAHC 14 days prior to the site visit.

**Desk Review**

Review reports and other documentation 14 days before a scheduled Asset Oversight site visit and prepare the sections of the report that pertain to the reports received prior to the site visit.

**Site Review**

Perform the site visit as scheduled.

**Draft Observation Report**

A draft copy of the Asset Oversight Report is due to the Department Manager 7 calendar days after the site visit.

**Final Observation Report**

The final copy of the report with all noted deficiencies are due to the owner, management company and the property manager 30 calendar days after the site visit.

**Corrective Action**

The corrective action notice advises the owner, management company and the property manager of the deficiencies and provides 30 days to cure most findings. Violations that are of serious health and safety concern should be cured within the time prescribed according to the violation.

**Texas State Affordable Housing Corporation  
Asset Oversight Procedures**

**I. Overview**

The Asset Oversight review serves as a method of verifying that the Borrowers are adhering to established guidelines in all areas of property operations as required by the Asset Oversight Agreement. Texas State Affordable Housing Corporation (TSAHC), as the Asset Oversight Agent, shall take no action which in TSAHC's judgment is likely to be construed as an exercise of management or control over the assets, activities or operations of the property. Texas State Affordable Housing Corporation will provide the Borrower with information about the activities of the properties.

Site visits are conducted annually or bi-annually as directed by the Bond Documents and determined by the Corporation. The Annual Overview Report and Observation Report will be completed by November 30<sup>th</sup> of each year. The Annual Overview Report will be presented to the Board of Directors at the next scheduled Board meeting after completion.

**Annual Site Visits Per Year**

White Rock	Worthing Oaks
Ashton/Woodstock	American Opportunity for Housing
GTEX	American Housing Foundation
	South Texas Affordable Housing

**II. Desk Review**

- A. **Travel Schedule** - The schedule is set by the Asset Oversight and Compliance Manager two to three months in advance based on the Annual Travel Calendar.
- B. **Notice and Report Request**- The TSAHC site visit notification letter (attachment 1) will be sent to the owner, management company and the property manager 30 days in advance of the site visit via email or fax. The letter also requests that the following reports be sent to TSAHC at least 14 days prior to the site visit:
- i. Current Year Operating Budget
  - ii. Current Year to Date Financial Statements
  - iii. Current Variance Report including Budget Comparison reflecting actual vs year to date budget information
  - iv. Written NSF policy in addition to the NSF log for the past 3 months and a copy of the corresponding resident ledgers (no more than 10)
  - v. Physical Occupancy for each of the past 12 months
  - vi. Police Report (911 Call Sheet) for the past three months
  - vii. Monthly renewal reports for the past 12 months reflecting the renewals due and the actual renewals completed for the month.

- viii. Updated contact information (including e-mail addresses) for the owner, property management company and the property.
- C. **Observation Report** – The following sections of the Observation Report (Attachment 2) will be completed as part of the desk review prior to the site visit:
  - i. Average Occupancy over the past 12 months
  - ii. Accounts Payable
  - iii. Collections
  - iv. Returned Checks
  - v. Security Program (parts 1 and 2)
- D. **Review Last Year Observation Report**- A review of the previous year's Observation Report will be conducted to ascertain whether specific areas of concern should be evaluated for potential improvement or further deterioration.

### III. Site Review

- A. **Initial Meeting** – TSAHC staff will explain the Asset Oversight review process to the property manager and will request the following reports the day of the site visit:
  - i. Service Request Report reflecting the number of completed service requests for the past 30 days (1-30/31) and the number of requests completed within 24 hours
  - ii. Traffic Summary Report reflecting the number of prospects and leases generated by traffic source for the past 30 days (1-30/31)
  - iii. Unit Availability Report reflecting the current vacant units, made ready units and length of vacancy
  - iv. Lease Renewal Report for the previous month reflecting the number of leases expiring, number of residents that actually renewed and month to month leases
  - v. Current Delinquency Report as of the day of the site visit
- B. **Observation Report**- The following sections of the Observation Report will be filled out as described (see section VI, the Checklist for completing the Observation Report) using the information from the reports received at the initial meeting:
  - i. Service Request
  - ii. Marketing
  - iii. Vacant/Make Ready (do not complete the units walked section at this time)
  - iv. Lease Renewal
  - v. Delinquencies
- C. **Property Inspection** – TSAHC staff will conduct a physical inspection of the property, including inspection of all common areas, leasing/office areas and maintenance shop(s). After the inspection is complete, TSAHC staff will fill in the Physical Inspection section of the Observation Report.
- D. **Unit Inspection** – TSAHC staff will select and inspect three (3) vacant made ready units and all down units identified by the property manager. If there are not three (3) vacant made ready units to view, TSAHC staff will select occupied units as necessary to equal the required three (3) units. After the inspection TSAHC

staff will then complete the Units Walked section of the Vacant/Make Ready Units section of the Observation Report.

- E. **Exit Interview**- During the exit interview TSAHC staff will ask the manager any questions that are still unanswered on the Observation Report, including questions within the Personnel section. After completing the Observation Report, TSAHC staff will discuss with the manager the status of the property, including any potential Observations and Findings.

#### IV. Post Site Review

##### A. Findings.

- i. **Findings**. All findings must be clear, concise and specific to the problem discussed. The problem that has been outlined as a Finding should state the specific problem, ie unit number, time frame and or building location number, if applicable. Findings represent violations that require the owner/agent take corrective action as required by TSAHC.
- ii. **Corrective Action**. Corrective action requirements must also be concise and specific. The language must clearly state what the property must do to correct the issue, by what date it needs to be completed and by what manner the property should notify TSAHC of the completed corrective action. For most Findings, the property will have 30 days to cure, but all health and safety Findings should have a time frame suited to the specific issue. This could give the property a time frame as short as 24 hours for a serious health or safety violation.
  - 1. **Example**- The owner/agent of XYZ Apartments must replace the smoke alarm on unit 21, building 6. A copy of the work order that evidences completion of this action is due to TSAHC within 24 hours from the site review.

##### B. Observations.

- i. **Observations**. Observations are used as an important tool to allow TSAHC to address certain areas of concern and/or need for improvement.
- ii. **Recommendations**. Recommendations accompany Observations in the same manner Corrective Action requirements accompany Findings. Adherence is not necessarily required; however, TSAHC expects that the property would give serious consideration to its content.
  - 1. **Example**. XYZ Apartments should consider purchasing industry related software that will allow its service request processing system to become automated and thus more efficient.

##### C. Responses.

- i. **Non Response**. If TSAHC has not received a Corrective Action response within the prescribed time frame, a Non Response letter (Attachment 4) will be sent via certified mail, return receipt requested, requiring a response within 7 calendar days.
- ii. **Incomplete or Insufficient Response**. Incomplete or Insufficient submissions of corrective action will warrant follow-up correspondence (Attachment 5) information to the Owner and Property Manager of the

specific Findings lacking completion. The follow-up correspondence will be drafted specifically to the outstanding Finding at hand and will be sent within 7 calendar days of receipt of the inadequate response. The letter will state that the Owner has 7 calendar days to finish correcting the Finding. It will also clearly explain what action needs to be taken to completely resolve the issue.

**iii. Extensions.** Properties requesting an extension to cure Corrective Action requirements must submit a formal written request on company letterhead to the TSAHC Asset Oversight and Compliance Manager. The length of extensions will be determined on an individual basis. Extensions will only be granted if the Finding cannot be cured within 30 days and in TSAHC's judgment cure has commenced.

- D. **Phone Calls.** During the corrective action process the TSAHC staff member will be in contact with the Property Manager to address any outstanding questions about the required or suggested Corrective Action and to check on the status of the required work.
- E. **Borrowers' Default.** If a property has not cured the outstanding Findings within the prescribed time frame it can result in a Default.

## V. Checklist for Completing Observation Report

### A. Physical Inspection

PHYSICAL INSPECTION	YES	NO	N/A
1) Are the access gates in operable condition?			
2) Is the perimeter fence surrounding the property in acceptable condition?			
3) Is the grounds and landscaping in acceptable condition?			
4) Are trees and shrubs properly trimmed?			
5) What is the condition of the exterior of the buildings? (Please use the comment section if there is rotted wood, peeling paint or other signs of deferred maintenance.			
6) Are sidewalks clean and in good repair?			
7) Is parking lot clean and in good repair with handicap parking clearly marked?			
8) Is the community monument sign in acceptable condition?			
9) Are the EHO logos clearly posted?			
10) Are recreational/common areas clean, maintained and accessible?			
11) Are laundry facilities clean, maintained and accessible?			
12) Is facility equipment operable and in acceptable condition?			
13) Are hallways clean and maintained?			
14) Is the area around the waste receptacles clean and are the enclosures in good repair?			
15) Are storage/maintenance areas clean, maintained and organized?			
16) Are building foundations in good repair?			
17) Are there signs of erosion, foot paths or tree root elevations?			
18) Are the gutters, downspouts and fascia boards on the buildings in good repair?			
19) Do the building roofs appear to be in good condition?			
20) Do all balconies and upper level walkways appear to be in good condition?			
21) Have repairs or corrections recommended or required from the last physical inspection been satisfactorily completed?			
22) Are there any other health, fire or safety concerns that need to be addressed?			
<b>Comments:</b>			

1. **Landscaping:** While conducting the property inspection take note of the landscaping. If there are any major problems such as muddy areas, standing water, areas of dead trees or seriously overgrown trees make note of that in the comments section under Physical Inspection.
2. **Common Areas:** All common areas must be inspected for cleanliness and safety. This includes looking at the driveways, parking areas, sidewalks, clubhouse facilities, pool, playground and laundry facilities. **Items such as cracked sidewalks would result in an Observation.**
3. **Building Exterior:** Look at the exterior of the buildings for signs of rotted wood, peeling paint, roof damage, structural damage and other signs of deferred maintenance. **Any type of structural damage that is a safety concern would be a Finding.**
4. **Building Interior:** Check common hallways and elevators for cleanliness, vandalism and health and safety concerns.
5. **Health and Safety:** If there are any other health and safety concerns that have not been covered in the other questions make note of it in the Comments

section. All serious health and safety violations result in a Finding with a 24 hour cure.

6. **Documentation:** Give details in the comments sections of any concerns you have observed while performing the physical inspection. Also, provide positive comments when warranted.
7. **Photographs:** For any Observations or Findings provide photographs to support the item. Also, take photographs of the monument sign, exterior of the leasing office, common area such as the pool or playground and the exterior of a building. A minimum of four photographs must be included in all completed Observation Reports.

**B. Security Program**

SECURITY PROGRAM Part I		
1) In reviewing the police report the following incidents were noted and includes the number of times incidents occurred:		
Incident Type	# of Occurrences	Comments:
- Break-ins?		
- Auto Theft?		
- Vandalism?		
-Personal Assault?		
-Drug Activity?		
- Gunfire?		
- Domestic Violence?		
- Other?		
2) Does the property have a Crime Prevention Plan in effect to address criminal activity on the property?		
Yes, management does have a Crime Prevention Plan in effect that addressed criminal activity as well as employee safety		
3) What pro-active measures is the property taking to address crime on the property?		
4) How often is a light check conducted on the property? (Please obtain a copy of the schedule)		
<b>Comments:</b>		

SECURITY PROGRAM Part II	YES	NO	N/A
5) Is the staff trained in addressing crime on the property?			
6) Does the Management Policy or the Resident Services Plan address activities responding to the needs of the community:			
- Violent Crime?			
- Drug Activity?			
-Family Violence?			
- Other?			
7) Are there other signs of vandalism on the property?			
8) Are criminal background checks being conducted on all residents over 18 years of age?			
9) Has a risk assessment been conducted to determine risk liabilities at the property?			
10) List all security services being used.			
<b>COMMENTS:</b>			

1. **Visual Observation:** While walking the property look for signs of criminal activity such as graffiti, property damage and loitering.
2. **Police Report:** TSAHC staff will request the police reports for the previous three (3) months. The information found in the report should be used to complete the above questions as well as to help facilitate the conversation about this subject.
3. **Manager Questions:** Discuss with the Manager what types of security are being used on-site and if the criminal activity is increasing/decreasing and why.

**C. Office**

OFFICE	YES	NO	N/A
1) Is the office neat, the desk uncluttered?			
2) Are accurate office hours posted?			
3) Are emergency phone numbers posted?			
4) Are the following displayed in full view:			
Fair Housing Poster?			
Occupancy Qualifications?			
5) Are property licenses and permits on file and renewed on a timely basis?			
6) Are insurance binders maintained on vendors on-site and/or at the corporate office?			
7) What are the compliance procedures to ensure the set aside requirements and rent requirements are being maintained?			
8) What community facilities are provided for resident use?			
<b>COMMENTS:</b>			

1. **Office Organization:** During the initial interview ask the manager for binders regarding vendor insurance and the property's licenses and permits. Review the binder to ensure that insurance permits and property licenses are current. If licenses or permits are expired, this would result in a Finding with a response that the property must submit current licenses and permits within 7 calendar days.
2. **Signage:** When you arrive at the property take note of the signage outside the building. Look for the office hours and phone number. While inside the leasing office observe the posting of the occupancy qualifications and fair housing posters that should be in plain view. Also, check to see if there is a Spanish version of the fair housing poster. If there is not a Spanish fair housing poster, recommendations can be made if you feel the property demographics demonstrate a need for it. If there is not an English version of the fair housing sign, a Finding should be issued.
3. **Compliance:** Discuss with the Manager their current Compliance policies and procedures and look at their Occupancy Qualification criteria to see if it is accurate and acceptable.
4. **Overall Office:** Check for cleanliness and safety. If you have any concerns about the office make note of it in the Comments section.

Make note of any positive items such as an extremely organized office.

**D. Key Control**

KEY CONTROL	YES	NO	N/A
1) Are all property keys properly coded?			
2) Is key box locked and secured?			
3) Is the key code list kept separate from the key box?			
4) Are locks being changed during turnover of vacant units and turnover of staff?			
<b>COMMENTS:</b> The property uses the Key Track system to monitor key security.			

1. **Key Box Inspection:** Look at the key box to make sure that it is locked and in a secure location. While looking at the key box check to see if the keys have a different code than the apartment number and not in any noticeable pattern. Also, make sure that the key code log is not being stored with the box. If either of these situations are found they would be a serious safety concern in a Finding with a corrective action requirement of 24 hours to cure from the date of the site visit.

**E. Maintenance Program**

MAINTENANCE PROGRAM	YES	NO	N/A
1) Is there a schedule for preventive maintenance/servicing? (Please include a copy of the schedule)			
2) How often does the exterminator provide services?			
3) Does the maintenance area have properly documented MSDS material and chemicals labeled properly?			
4) What is the policy on follow ups for completed service request?			
5) Are call backs to residents conducted?			
7) What is the property's after hour's emergency policy?			
8) What capital improvements have been scheduled for this budget year?			
9) Were capital improvements scheduled from last year conducted?			
<b>The following information was reported for the month of _____:</b>			
Number of service requests completed in the past 30 days:			
Number of service requests completed within 24 hours:			
Number of outstanding service requests:			
<b>COMMENTS:</b>			

1. **Service Request Report:** Use the Service Request Report to calculate the number of work orders completed within 24 hours and the number completed within 30 days. Also, indicate if the property has outstanding work orders. If the majority of the service requests are not being completed within 24 hours this will result in an Observation. The recommendation would be for the property to begin entering completed work order information into the computer system on a daily basis for accurate reporting information.

**F. Marketing**

MARKETING			
1) Complete the table below with the most recent information available.			
SOURCE	COST	# of Prospects	# of Leases
Source of traffic:			
Drive-By/Word of Mouth			
Flyers			
Resident Referral			
Locator Service			
Apartment Digest/For Rent/ Senior Living			
Internet			
Preferred Employer			
Other Source (list)			
<b>+OTAL</b>			
(The rental activity reflected in the above table was for the month of .)			
	YES	NO	N/A
2) Is the property doing any bilingual advertising?			
3) How often are competitors shopped?			
4) How often is the marketing survey completed?			
<b>COMMENTS:</b>			

- Traffic Report:** Use the traffic report from the past 30 days to fill in the Prospects and Leases columns in the table above.
- Monthly Costs:** To find out the monthly costs of all forms of marketing have the manager tell you the amounts spent last month in each of the areas. If they do not know the information it can be found by looking at the invoices for the previous month.
- Manager Questions:** Discuss with the manager what the marketing plan currently is and how effective it is. Also, discuss how often the market survey is updated and how often the competition is being shopped. Feel free to add any helpful comments to the comments sections. Any items of concern in this area should be listed as an Observation.

**G. Lease Renewal**

LEASE RENEWAL	YES	NO	N/A
1) Is an effective lease renewal program in place? What percentage of residents renew last month, past 6 months and past 12 months?			
2) When are the lease renewal/rent increase notices sent to residents?			
3) Are individual files being reviewed to determine renewal/non-renewal status?			
4) How are renewals tracked and monitored?			
5) Are rate increases being implemented?			
6) What is the number of month-to-month leases?			

7) What is the month-to-month charge?			
<b>COMMENTS:</b>			

- 1. Lease Renewal Report:** If the property has a Lease Renewal Report or a Renewal Binder, use it to help answer the questions in this section. If the month to month leases are not shown on the reports have the manager pull a report that shows the number of people that are on month to month leases. Make certain that all month to month leases that are low income residents have a current TIC. Inquire about Section 8 households that are on month to month leases and the reason why. Section 8 households should be on an annual lease unless the situation permits otherwise.
- 2. Manager Questions:** Have the manager explain the effectiveness of the renewal process and why he/she feels that it is working or not. If no policy is in place and the property has an extremely low renewal rate this would be considered a Finding. If a policy is in place but the renewal rate is low and the staff is not doing a good job handling the renewals, this would be considered an Observation.

#### H. Vacant/Make Ready

VACANT/MAKE READY UNITS			
1) Number of vacant units at time of activity report:			
2) Number of completed made ready units at time of activity report:			
3) Number of completed one bedroom units at time of activity report:			
4) Number of completed two bedroom units at time of activity report:			
5) Number of completed three bedroom units at time of activity report:			
6) Number of uncompleted made ready units at time of activity report:			
7) Number of uncompleted one bedroom units at time of activity report:			
8) Number of uncompleted two bedroom units at time of activity report:			
9) Number of uncompleted three bedroom units at time of activity report:			
<b>Units Walked (minimum of 3 units and all down units)</b>			
<i>Unit #</i>	<i>Brief Description (See Unit Inspection Sheet for details)</i>		
	<b>YES</b>	<b>NO</b>	<b>N/A</b>
10) Does the Unit Availability Report match the make ready board?			
11) Are there any down units?			
12) Are units being turned in a timely manner?			
13) Are there vacant units that have been vacant over 30 days? If so, specify the reason below:			
a) Lack of funds?			
b) Insufficient supply of parts maintained at development site?			
c) Use of contractor instead of on-site staff, or vice versa?			

14) Does management have a system to monitor timely preparation of vacant units?			
15) Does the property manager walk vacant units after they are made ready?			
16) How often are occupied units inspected?			
17) What is the company policy on turning vacant units?			
18) How many units are at least 80% complete?			
<b>COMMENTS:</b>			

1. **Unit Availability Report:** Use the current Unit Availability Report to complete this section of the report. The report should be compared to the Make Ready Status board in the office or the maintenance shop to check for accuracy. Using the information on the report, select the three (3) units you would like to inspect. You can also use it to see if there are any down units and how quickly units are being turned.
2. **Manager Questions:** Discuss with the manager anything on the Unit Availability Report that might seem odd or of concern. It is also important to ask the manager if there are any down units or major renovations currently being done at this time.
3. **Physical Unit Inspections:** When inspecting made ready units check the quality of the unit to ensure that it is really ready to be lived in. Look for items such as heavily stained/worn carpet, dirty walls or unclean appliances. Also, check to see if proper preventative maintenance is being done such as changing air filters or smoke detector batteries. Check for any health and safety concerns such as smoke detectors beeping or uneven sub flooring. If there are any other maintenance problems with the units such as leaking plumbing fixtures or broken windows also make notations of these items. Write down as many items as needed in the description section. If the unit is in good condition state that also. For all Observations and Findings photograph the items for documentation.

## I. Budget Management

BUDGET MANAGEMENT					YES	NO	N/A
1) Is current budget on site and used by staff to monitor and control operating expenses?							
2) How often are invoices processed?							
3) How many bids are solicited in order to obtain materials, supplies, and services?							
4) Do the invoices reflect late charges due to late payments?							
5) Have any property accounts been closed in the past 30 days?							
Explain variance of 10% or greater YTD.							
<b>Expense Items that Varied by 10% or Greater from the Budget for Year to Date Operations Ending</b>							
(Please note that a positive variance is under budget and a negative variance is over budget.)							
EXPENSE ITEM	ACTUAL	BUDGET	VARIANCE	%	EXPLANATION		

Comments:				
ACCOUNTS PAYABLE		YES	NO	N/A
1) Is the payable report up to date?				
2) Is debt being controlled?				
3) If payments are a problem, what is management doing to correct the problem?				
<b>COMMENTS:</b>		Current:		\$
		30 Days:		\$
		60 Days and Over:		\$
		TOTAL		\$

REVENUE			
FOR THE MONTH OF		YEAR TO DATE	
Gross Potential	\$	Gross Potential	\$
Budgeted		Budgeted	
Variance + (-)		Variance + (-)	
Collected to Date		Collected to Date	
Other Revenue		Other Revenue	
Total Collected		Total Collected	
Budgeted		Budgeted	
Variance + (-)		Variance + (-)	
Comments:			

1. **Variance Report:** Using the Year-to-Date information in the Variance Report, fill in the table above. When using the property's report, do the mathematical calculations yourself to check for accuracy.
2. **Budget Comparison:** Using the Actual vs the Year-to-Date information complete the Expense Item sections. Examine the categories and notice the variance of over and under budgeted expense items. Ask the manager about variances 10% and over.
3. **Manager Questions:** During the exit interview discuss with the manager the questions above. If there are any large variances in the Variance Report this could cause an Observation or Finding.

#### J. Delinquencies

DELINQUENCIES		YES	NO	N/A
1) Is the delinquency report up to date?				
2) What is the collection policy for outstanding rents?				
3) When is legal action taken against delinquent accounts?				
4) What is the total dollar amount currently under eviction?				
5) Does housing have any outstanding balances? If yes, how much?				
6) List delinquency information below.				
<b>COMMENTS:</b>		Current:		\$
		30 Days:		\$

	60 Days and Over:		\$
	TOTAL		\$

1. **Delinquency Report:** Request a copy of the Aged Delinquency Report the day of the site visit. The manager will need to provide TSAHC with the eviction dollar amount and if there is a balance owed by the housing authority. This report is instrumental in a review of how resident accounts are handled and if company policies on delinquencies are being handled correctly.
2. **Manager Questions:** Use the report to lead the discussion. Inquire with the manager how resident accounts are handled when there are outstanding balances.

#### K. Returned Checks

RETURNED CHECKS	YES	NO	N/A
1) Total number of returned checks in the past 3 months:			
2) Has manager collected and deposited all returned checks?			
3) Is manager following company policy on returned checks?			
<b>COMMENTS:</b>			

1. **NSF Report:** Use the NSF report to ensure that you have received the correct resident ledgers.
2. **Resident Ledgers:** Review all of the resident ledgers. Look to see how many NSF checks the property has had in the past 3 months. Also, verify if the NSF checks have been paid, how much they were charged in late fees and NSF fees. In addition, verify if all resident account charges are consistent. If the amounts are different find out why and determine if this would be an Observation or a Finding.

#### L. Personnel

PERSONNEL	YES	NO	N/A
1) Does owner/agent have a system/procedure for providing field supervision of on-site personnel?			
2) Does the property appear to be adequately staffed?			
3) Is overtime being controlled?			
4) Were requested pre-audit reports submitted on time?			
5) Does it appear that personnel are team oriented?			
6) Do personnel appear to be dressed appropriately?			
7) Are name tags/photo IDs being worn?			
8) Was management staff prepared for the site visit?			
9) How often are staff meetings held?			
10) Have personnel been trained in Fair Housing?			
11) List all training staff has received in the past three years.			
<b>COMMENTS:</b>			

1. **Observation:** Most of the personnel questions will be answered through observing the staff during the site visit. Observe whether the staff is wearing name tags or company identification, is the attire appropriate and professional and is there team work among the staff.
2. **Manager Questions:** Ask the manager about any training that the office staff or maintenance personnel have attended within the last three years. Also, ask about

scheduling and is the property fully staffed. If the staff has not attended or is not scheduled to attend Compliance training on a regular basis this would be an Observation.

**M. Owner Participation**

OWNER PARTICIPATION				YES	NO	N/A
1) Does the owner have access to computer generated reports?						
2) If owner does not have computer access to the reports, what reports are submitted to the owner?						
3) How often are the reports submitted to the owner?						
4) What is the dollar amount that needs to be submitted to the owner for release of funds?						
5) Are the funds for needed capital improvement items, turning of units, marketing campaigns released by the owner according to what has been budgeted?						
<b>COMMENTS:</b>						

There is no report for this section. These answers will come directly from the property manager or the property supervisor.

**N. Summary of Findings and Observations**

SUMMARY OF OBSERVATIONS AND FINDINGS

- Findings:** Cut and paste all of the Findings from the body of the report and add the appropriate Corrective Action requirements. Be very specific and include the date by which the Corrective Action must be submitted.
- Observations:** Cut and paste all of the Observations from the body of the report; add the suggested Recommendation for each Observation.

**VI. Annual Budget**

TSAHC staff reviews the annual budget submitted by the property manager and will make recommendations to the Borrower regarding the property manager’s budget proposal (such recommendation will be based upon the Asset Oversight Agent’s opinion as to whether income, expense and capital items are realistic within the context of the property and its rental market). In addition, recommendations will be made to the Borrower concerning any proposed variations from such budget that would require the approval of the Borrower.

**THIS DOCUMENT IS REVISED WHEN NECESSARY. TO VIEW THE MOST  
CURRENT VERSION GO TO: [www.tsahc.org](http://www.tsahc.org).**

Date

**Owner**

Owner Contact

Owner Address

City, State, Zip

RE: **Name of Property:**

Dear Owner:

The purpose of this letter is to serve as notification that a TSAHC Representative will conduct an Asset Oversight review at Name of Property on Date at time. In order to facilitate an efficient review, we intend to complete as much of the review as possible in our office prior to our on-site visit.

Please reviews the documents outlined below and forward them to our office no later than **14 days before your site visit**. These documents may be submitted via e-mail, fax, or regular mail. It is the intention of TSAHC to minimize the disruption to your staff's routine and the amount of time we spend at your site; therefore, we will need to begin our desk review of these documents as soon as possible.

- Current Year Operating Budget
- Current YTD Financial Statements
- Most recent Variance Report Including Budget Income Comparison with Actual and YTD Budgeted
- Written NSF policy along with NSF log for the past 3 months and a copy of the corresponding resident ledger (no more than 10)
- Physical Occupancy for each of the past 12 months
- Police reports (911 call sheet) for the past three months
- Monthly renewal reports for the past 12 months showing the percent that renewed or information to calculate the percent.
- Updated contact information (including e-mail addresses) for the property, management company, and the borrower

The site visit consists of an evaluation of property reports, a limited physical inspection, and a comprehensive interview with at least one member of the management staff. As part of the limited physical inspection, three vacant units will be randomly selected for inspection by the TSAHC staff member. If three vacant units will not be available for inspection, please send a notice to all residents that an inspection of their unit might occur on the date of the site visit.

The ability to develop a productive partnership is important to us, and we welcome the opportunity to serve you and your residents. We hope that our work together will assist in providing the best possible affordable housing within the State of Texas. As always, you may contact me via telephone or e-mail for assistance or information.

Respectfully,

TSAHC Staff Member

Title

E-mail Address

**Property**  
**Address**  
**City, state, zip**

**Owner:**                      **Bond ID:**                      **Date Built:**  
**Management Company:**                      **Property Manager:**

**INSPECTION DATE/ TIME:**  
**Inspector's Name:**

<b>Number of Units:</b>	<b>Occupancy at Time of Report:</b>	%	<b>Average Occupancy Over Last 12 Months:</b>	%
<b>Number of One Bedrooms:</b>	<b>Number of Two Bedrooms:</b>		<b>Number of Three Bedrooms:</b>	

PHYSICAL INSPECTION	YES	NO	N/A
1) Are the access gates in operable condition?			
2) Is the perimeter fence surrounding the property in acceptable condition?			
3) Is the grounds and landscaping in acceptable condition?			
4) Are trees and shrubs properly trimmed?			
5) What is the condition of the exterior of the buildings? (Please use the comment section if there is rotted wood, peeling paint or other signs of deferred maintenance.			
6) Are sidewalks clean and in good repair?			
7) Is parking lot clean and in good repair with handicap parking clearly marked?			
8) Is the community monument sign in acceptable condition?			
9) Are the EHO logos clearly posted?			
10) Are recreational/common areas clean, maintained and accessible?			
11) Are laundry facilities clean, maintained and accessible?			
12) Is facility equipment operable and in acceptable condition?			
13) Are hallways clean and maintained?			
14) Is the area around the waste receptacles clean and are the enclosures in good repair?			
15) Are storage/maintenance areas clean, maintained and organized?			
16) Are building foundations in good repair?			
17) Are there signs of erosion, foot paths or tree root elevations?			
18) Are the gutters, downspouts and fascia boards on the buildings in good repair?			
19) Do the building roofs appear to be in good condition?			
20) Do all balconies and upper level walkways appear to be in good condition?			
21) Have repairs or corrections recommended or required from the last physical inspection been satisfactorily completed?			
22) Are there any other health, fire or safety concerns that need to be addressed?			

**Comments:**

**SECURITY PROGRAM Part I**

1) In reviewing the police report the following incidents were noted and includes the number of times incidents occurred:

Incident Type	# of Occurrences	Comments:

- Break-ins?		
- Auto Theft?		
- Vandalism?		
-Personal Assault?		
-Drug Activity?		
- Gunfire?		
- Domestic Violence?		
- Other?		
2) Does the property have a Crime Prevention Plan in effect to address criminal activity on the property?		
3) What pro-active measures is the property taking to address crime on the property?		
4) How often is a light check conducted on the property? (Please obtain a copy of the schedule).		
<b>Comments:</b>		

SECURITY PROGRAM Part II	YES	NO	N/A
5) Is the staff trained in addressing crime on the property?			
6) Does the Management Policy or the Resident Services Plan address activities responding to the needs of the community:			
- Violent Crime?			
- Drug Activity?			
-Family Violence?			
- Other?			
7) Are there other signs of vandalism on the property?			
8) Are criminal background checks being conducted on all residents over 18 years of age?			
9) Has a risk assessment been conducted to determine risk liabilities at the property?			
10) List all security services being used.			
<b>COMMENTS:</b>			

OFFICE	YES	NO	N/A
1) Is the office neat, the desk uncluttered?			
2) Are accurate office hours posted?			
3) Are emergency phone numbers posted?			
4) Are the following displayed in full view:			
Fair Housing Poster?			
Occupancy Qualifications?			
5) Are property licenses and permits on file and renewed on a timely basis?			
6) Are insurance binders maintained on vendors on-site and/or at the corporate office?			
7) What are the compliance procedures to ensure the set aside requirements and rent requirements are being maintained?			
8) What community facilities are provided for resident use?			
<b>COMMENTS:</b>			

KEY CONTROL	YES	NO	N/A
1) Are all property keys properly coded?			
2) Is key box locked and secured?			
3) Is the key code list kept separate from the key box?			
4) Are locks being changed during turnover of vacant units and turnover of staff?			
<b>COMMENTS:</b>			

MAINTENANCE PROGRAM	YES	NO	N/A
1) Is there a schedule for preventive maintenance/servicing? (Please include a copy of the schedule)			
2) How often does the exterminator provide services?			
6) Does the maintenance area have properly documented MSDS material and chemicals labeled properly?			
7) What is the policy on follow ups for completed service request?			
8) Are call backs to residents conducted?			
10) What is the property's after hour's emergency policy?			
11) What capital improvements have been scheduled for this budget year?			
9) Were capital improvements scheduled from last year conducted?			
<b>The following information was reported for the month of _____:</b>			
Number of service requests completed in the past 30 days:			
Number of service requests completed within 24 hours:			
Number of outstanding service requests:			
<b>COMMENTS:</b>			

MARKETING			
1) Complete the table below with the most recent information available.			
SOURCE	COST	# of Prospects	# of Leases
Source of traffic:			
Drive-By/Word of Mouth			
Flyers			
Resident Referral			
Locator Service			
Apartment Digest/For Rent/ Senior Living			
Internet			
Preferred Employer			
Other Source (list)			
<b>TOTAL</b>			
<b>(The rental activity reflected in the above table was for the month of .)</b>			
	<b>YES</b>	<b>NO</b>	<b>N/A</b>

2) Is the property doing any bilingual advertising?			
3) How often are competitors shopped?			
4) How often is the marketing survey completed?			
<b>COMMENTS:</b>			

<b>LEASE RENEWAL</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
1) Is an effective lease renewal program in place? What percentage of residents renew last month, past 6 months and past 12 months?			
3) When are the lease renewal/rent increase notices sent to residents?			
3) Are individual files being reviewed to determine renewal/non-renewal status?			
4) How are renewals tracked and monitored?			
5) Are rate increases being implemented?			
6) What is the number of month-to-month leases?			
7) What is the month-to-month charge?			
<b>COMMENTS:</b>			

<b>VACANT/MAKE READY UNITS</b>			
1) Number of vacant units at time of activity report:			
2) Number of completed made ready units at time of activity report:			
3) Number of completed one bedroom units at time of activity report:			
4) Number of completed two bedroom units at time of activity report:			
5) Number of completed three bedroom units at time of activity report:			
6) Number of uncompleted made ready units at time of activity report:			
7) Number of uncompleted one bedroom units at time of activity report:			
8) Number of uncompleted two bedroom units at time of activity report:			
9) Number of uncompleted three bedroom units at time of activity report:			
<b>Units Walked (minimum of 3 units and all down units)</b>			
<b>Unit #</b>	<b><i>Brief Description (See Unit Inspection Sheet for details)</i></b>		
	<b>YES</b>	<b>NO</b>	<b>N/A</b>
10) Does the Unit Availability Report match the make ready board?			
11) Are there any down units?			
12) Are units being turned in a timely manner?			
13) Are there vacant units that have been vacant over 30 days? If so, specify the reason below:			
a) Lack of funds?			
b) Insufficient supply of parts maintained at development site?			
c) Use of contractor instead of on-site staff, or vice versa?			
14) Does management have a system to monitor timely preparation of vacant units?			

15) Does the property manager walk vacant units after they are made ready?			
16) How often are occupied units inspected?			
17) What is the company policy on turning vacant units?			
18) How many units are at least 80% complete?			
<b>COMMENTS:</b>			

BUDGET MANAGEMENT	YES	NO	N/A
1) Is current budget on site and used by staff to monitor and control operating expenses?			
5) How often are invoices processed?			
6) How many bids are solicited in order to obtain materials, supplies, and services?			
7) Do the invoices reflect late charges due to late payments?			
5) Have any property accounts been closed in the past 30 days?			

Explain variance of 10% or greater YTD.

**Expense Items that Varied by 10% or Greater from the Budget for Year to Date Operations Ending**

(Please note that a positive variance is under budget and a negative variance is over budget.)

EXPENSE ITEM	ACTUAL	BUDGET	VARIANCE	%	EXPLANATION

Comments:

ACCOUNTS PAYABLE	YES	NO	N/A
1) Is the payable report up to date?			
2) Is debt being controlled?			
3) If payments are a problem, what is management doing to correct the problem?			

**COMMENTS:**

Current:		\$
30 Days:		\$
60 Days and Over:		\$
<b>TOTAL</b>		\$

REVENUE			
FOR THE MONTH OF		YEAR TO DATE	
Gross Potential	\$	Gross Potential	\$
Budgeted		Budgeted	
Variance + (-)		Variance + (-)	
Collected to Date		Collected to Date	
Other Revenue		Other Revenue	
Total Collected		Total Collected	
Budgeted		Budgeted	
Variance + (-)		Variance + (-)	

Comments:

DELINQUENCIES	YES	NO	N/A
1) Is the delinquency report up to date?			
2) What is the collection policy for outstanding rents?			
3) When is legal action taken against delinquent accounts?			
4) What is the total dollar amount currently under eviction?			
5) Does housing have any outstanding balances? If yes, how much?			
6) List delinquency information below.			
<b>COMMENTS:</b>	Current:		\$
	30 Days:		\$
	60 Days and Over:		\$
	TOTAL		\$

RETURNED CHECKS	YES	NO	N/A
1) Total number of returned checks in the past 3 months:			
2) Has manager collected and deposited all returned checks?			
3) Is manager following company policy on returned checks?			
<b>COMMENTS:</b>			

PERSONNEL	YES	NO	N/A
1) Does owner/agent have a system/procedure for providing field supervision of on-site personnel?			
2) Does the property appear to be adequately staffed?			
3) Is overtime being controlled?			
4) Were requested pre-audit reports submitted on time?			
5) Does it appear that personnel are team oriented?			
6) Do personnel appear to be dressed appropriately?			
7) Are name tags/photo IDs being worn?			
8) Was management staff prepared for the site visit?			
12) How often are staff meetings held?			
10) Have personnel been trained in Fair Housing?			
11) List all training staff has received in the past three years.			
<b>COMMENTS:</b>			

OWNER PARTICIPATION	YES	NO	N/A
1) Does the owner have access to computer generated reports?			
5) If owner does not have computer access to the reports, what reports are submitted to the owner?			
6) How often are the reports submitted to the owner?			
7) What is the dollar amount that needs to be submitted to the owner for release of funds?			
5) Are the funds for needed capital improvement items, turning of units, marketing campaigns released by the owner according to what has been budgeted?			

**COMMENTS:**

**SUMMARY OF OBSERVATIONS AND FINDINGS**

Date  
Owner  
Address  
City, State, Zip

RE: Property Name

Dear Owner/Agent:

On Date, an Asset Oversight Review was performed at the above referenced property. Details of the review can be found in the enclosed Observation Report.

The results of this review may indicate items in need of correction in order to be in compliance with your TSAHC Multifamily Bonds. A list of Findings and/or Observations resulting from the review is enclosed. Each Finding will include Corrective Action dates for those items considered deficient. Properties with any Corrective Action Requirements will be placed on a Monitoring Status pending correction.

For Clarification:

**Observations** will address issues that can be improved upon, but do not require immediate action. An **Observation** will always be followed by a **Recommendation**. Management should consider **Recommendations** but there is no written response required. **Findings** address serious issues that need to be cured immediately. **Findings** will always be followed by **Corrective Action Requirements**. Management must complete the **Corrective Action Requirements** and send certification to TSAHC that they have been resolved as stipulated within each **Corrective Action Requirement**. This certification must be on company letterhead and address each item individually.

I appreciate the time and effort your staff allotted to our review. If you wish to discuss the report findings before preparing your response, please feel free to contact me at the number listed below.

Respectfully,

TSAHC Staff Member  
Title

Date

**By Facsimile/Original by Certified Mail**

**Return Receipt Requested**

Owner  
Owner/Agent's Address  
City/State/Zip

**NON RESPONSE NOTICE  
REQUEST FOR CORRECTIVE ACTION NOTICE**

Re: Property's Name/

Dear Owner/Agent:

The Texas State Affordable Housing Corporation (TSAHC) has not received a response to the Findings identified on the Compliance Review Observation Report dated **Report Date** (“the Report”), sent to you (Date). To ensure compliance, we must receive documents meeting the Corrective Action Requirements set out in the Report no later than ***Extended due date*** (7 days from this letter). Please refer to the Narrative pages of the Report for the corrective action requirements.

Thank you for your attention to this important matter. If you have forwarded the required documents, please contact us to ensure we receive the documents. Please do not hesitate to call should you require additional information or clarification on this important request.

Respectfully,

TSAHC Staff Member

Date

By Facsimile/Original by Certified Mail

Return Receipt Requested

Owner  
Owner/Agent Address  
City, State, Zip

**INCOMPLETE OR INSUFFICIENT  
RESPONSE NOTICE  
REQUEST FOR CORRECTIVE ACTION**

Re: Property Name

Dear Owner/Agent:

The Texas State Affordable Housing Corporation (TSAHC) has received an incomplete or insufficient response to the Findings identified on the Compliance Review Observation Report dated **Report Date** (“the Report”), sent to you (Date). Specifically, your response has not sufficiently addressed the following Corrective Action requirement: \_\_\_\_\_. To ensure compliance, we must receive documents meeting the Corrective Action Requirements set out in the Report no later than ***Extended due date*** (7 days from this letter).

Thank you for your attention to this important matter. If you have forwarded the required documents, please contact us to ensure we receive the documents. Please do not hesitate to call should you require additional information or clarification on this important request.

Respectfully,

TSAHC Staff Member